

they are not duplicating each other's work, and, most importantly, to talk about systemic risk and are they getting at it in a collective way. It does not cost anything. It is just smart. That is one part of this amendment.

The other part of the amendment has to do with how these inspectors general are selected. There are different kinds of inspectors general in our government. Some are appointed by the President. Some are appointed by the agencies. I will say that anybody who thinks those appointed by the President are the most independent is wrong. Anybody who thinks those appointed by the agencies is the most independent is wrong.

I believe the independence of inspectors general has everything to do with whether someone is selected who is professional and who is going to be independent of any influence.

Here is my reason for supporting this amendment so fully. It is a bad idea to change right now how these inspectors general are selected. We need continuity right now. We need consistency. What we have done in this amendment is change it so these inspectors general will now report to the entire boards they serve and not to just the head of the agency. That is where you can get the cozy relationship and get into trouble. That is why, in fact, this amendment is needed.

It also requires that two-thirds of these boards will be required to fire an inspector general. So this amendment will, in fact, make sure we have continuity, we have a cop on the beat in terms of these inspectors general right now and going forward, and it strengthens their independence and their ability to work with each other.

I will say we have lots of nominations pending, and the notion that we would decide we need five more nominations pending with, I am afraid, secret holds that might come about—we have one inspector general who has a secret hold now—I certainly do not want the inspectors general for these agencies to be held up with secret holds over the next couple years and we have a lack of continuity and certainty in terms of leadership at these important organizations as we move forward to clean up this mess that has occurred in our financial sector.

So I urge my colleagues to support the Grassley-McCaskill amendment, amendment No. 4072.

I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, the Senator from Missouri, my friend, has given a very good explanation of this bill. Before I give my version of it, which will be similar to hers, I wish to compliment her because she is in a position of jurisdiction over IGs. She has done a very good job of strengthening these positions in other legislation she has sponsored. So I feel very good to be in the company of the Senator from Missouri on this amendment.

Our amendment would correct serious problems in section 989B of the Dodd-Lincoln substitute. This section of the bill would change the way that five inspectors general are hired and fired.

Currently, these five inspectors general are hired and fired by the agency that they oversee, but section 989B would put the President in charge of hiring and firing them. This provision was included because the sponsors of the legislation believe that making inspectors general Presidentially appointed will make them more independent.

However, rather than strengthening oversight over our financial institutions with more independent watchdogs, section 989B could introduce politics into what have traditionally been career, nonpolitical positions.

Under the Inspector General Act of 1978, there are two types of inspectors general, presidentially appointed IGs and designated Federal entity IGs, DFE IGs. Both types of inspectors general are tasked with hunting down waste, fraud, and abuse at Federal agencies. However, there are some major differences in how they are appointed and removed from office and how they operate.

DFE IGs are appointed by the agency rather than the President. The Inspector General Act created 30 of them, not just the 5 addressed in this bill. The agency-appointed IGs typically run smaller offices than Presidential appointees, often with just a handful of employees. Almost all of them oversee agencies that are headed by a bipartisan board or commission.

By contrast, Presidentially appointed IGs generally run much larger offices and employ dozens or hundreds of employees to oversee Departments such as the Department of Defense, the Department of Justice, Health and Human Services, and so on. They are nominated by the President and confirmed by the Senate. They are subject to removal at any time by the President. However, the President must provide Congress 30 days notice and a written list of reasons for dismissing the inspector general.

Agency-appointed IGs have a similar protection requiring that the agency notify Congress in advance of the reasons for any removal.

The sponsors of section 989B argue that because agency-appointed IGs are hired and fired by the agency they oversee, they might be tempted to pull their punches more than someone who could only be fired by the President. I actually agree that this is a potential problem. However, the solution in this bill misses the mark.

Unfortunately, section 989B only attempts to address this independence issue at five of the 30 agency-appointed IGs. In my view, this fix is too narrow. In addition, it attempts to ensure independence by replacing these five IGs with Presidential appointees.

There is no evidence that Presidential appointees will be more inde-

pendent than their predecessors. There have been problems in the past with Presidential appointees being too cozy with the agency they are supposed to oversee or pulling punches for political reasons.

There is strong evidence that agency-appointed IGs can be fiercely independent despite the possibility of being removed by the agency head. It all depends on the quality of the appointment.

For example, David Kotz, the Securities Exchange Commission inspector general has exposed the SEC's failures in the Madoff and Stanford cases, and is currently looking into the timing of the government suit against Goldman Sachs. Similarly, the Pension Benefit Guarantee Corporation's, PBGC, inspector general aggressively investigated the former head of the agency, Charles Millard, and has challenged the acting director about providing inaccurate information to Congress. Despite the potential risks of being replaced, these IGs have not been timid about challenging their agencies to improve.

Because of the way section 989B is currently drafted, these IGs could be summarily dismissed soon after the bill is signed into law. Under this provision, each IG could continue to serve but only until the President nominates a replacement. Once the President makes a nomination, the IGs would no longer enjoy legal protections for their independence and would become instant lame ducks. In fact, SEC Inspector General Kotz recently stated that if this provision becomes law it will effectively end some of the ongoing investigations his office has at the SEC.

There is a practical problem with Presidential appointments as well. This administration does not have a great track record in filling vacancies in an expeditious manner. Having no watchdog on duty is a concern for all Americans.

There are over a dozen IG positions where there is a vacancy, an acting, or an interim IG. The administration waited 18 months to appoint an IG at the Federal Housing Finance Agency, which oversees Freddie Mac and Fannie Mae. That is 18 months without strong leadership able to direct audits, investigations or examinations of agency policy. That's 18 months without a cop on the beat. Maybe that is the way the administration likes it. I am sure the bureaucrats at these agencies would enjoy life more without an inspector general asking questions. Imagine if the SEC were not held accountable for their failures in stopping the Madoff or Sanford Ponzi schemes.

This bill would create five lame ducks in the IG community and the potential for more extended vacancies unless we fix it. There would be far less oversight during the lengthy transition process under the current bill with no guarantee of vigorous oversight by the new appointees. Essentially, this provision could politicize the positions that